

Message Text

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ACTION EB-06

INFO OCT-01 NEA-06 ISO-00 FEA-01 AEC-05 AID-05 CEA-01

CIAE-00 CIEP-01 DODE-00 FPC-01 H-01 INR-05 INT-05

L-01 NSAE-00 NSC-05 OMB-01 PM-03 RSC-01 SAM-01 OES-02

SP-02 SS-15 STR-01 TRSE-00 FRB-01 PA-01 USIA-06

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FM AMEMBASSY TUNIS

TO SECSTATE WASHDC 7226

INFO USDOC WASHDC

USINT ALGIERS

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E.O. 11652: N/A

TAGS: BTIO, ENRG, TS

SUBJECT: PETROLEUM--DECISION REACHED ON SECOND REFINERY IN GABES

REF: TUNIS 3298

1. NEW MINISTER NATIONAL ECONOMY LASRAM INFORMED
AMBASSADOR THIS MORNING THAT, AFTER CAREFUL CONSIDERATION,
COUNCIL OF MINISTERS YESTERDAY DECIDED THAT GOT ON SOLE
VENTURE BASIS WILL ESTABLISH 60,000 BARREL PER DAY
REFINERY (3 MILLION METRIC TONS PER YEAR) IN GABES.
LASRAM SAID THAT GOT ABANDONED ORIGINAL PLANS ADVANCED
BY HIS PREDECESSOR CHEDLI AYARI TO BUILD 120,000 BPD
REFINERY IN JOINT VENTURE WITH FOREIGN PARTNER AS BEING
EXCESSIVELY RISKY SINCE GOT WOULD NOT CONTROL DIRECTLY
REQUIRED CRUDE OIL AND WOULD HAVE TO RELY ON CRUDE
IMPORTED FROM ALGERIA OR OBTAINED FROM PARTNERS IN
PETROLEUM EXPLORATION CONCESSIONS. FURTHERMORE, IT WOULD
HAVE TO DISPOSE OF LARGE QUANTITIES OF PETROLEUM PRODUCTS
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SURPLUS TO TUNISIA NEEDS ON UNCERTAIN WORLD MARKET. NEW

REFINERY, WHICH IS SCHEDULED TO BE COMPLETED BY 1978, WILL WITH BIZERTE REFINERY, MEET TOTAL TUNISIAN REQUIREMENTS FOR PRODUCTS, EXPECTED TO BE 2.5 MILLION MT/YEAR AT THAT TIME, AND WILL HAVE SURPLUS OF ONLY ABOUT 600,000 MT OF NAPHTHA, RESIDUAL FUEL OIL AND SOME OTHER PRODUCTS WHOSE SALE SHOULD PRESENT NO MAJOR DIFFICULTIES. QUANTITY OF CRUDE REQUIRED WILL ALSO BE WITHIN TOTAL GOT AVAILABILITY BY 1978. REFINERY, WHICH MAY COST AS MUCH AS \$150 MILLION, WILL BE DESIGNED WITH EXCESS CAPACITY IN ORDER PERMIT EASY EXPANSION TO 120,000 BPD UPON ADDITION OF A FEW ADDITIONAL COMPONENTS.

2. LASRAM INDICATED THAT GOT MAY SEEK SOME FOREIGN FINANCING FOR REFINERY AND EXPRESSED INTEREST IN EXIMBANK TERMS IF REPAYMENT PERIOD CAN BE MADE LONG ENOUGH AND INTEREST RATES SUFFICIENTLY ATTRACTIVE. HE ADDED THAT GOT PREPARED FINANCE REFINERY FROM ITS OWN RESOURCES IF NECESSARY AS IT HAS IN CASE OF GABES CEMENT MILL AND OTHER RECENT LARGE PROJECTS.

3. COMMENT: ALTHOUGH LASRAM INDICATED THAT MAJOR CONSIDERATION IN PRESENT DECISION WAS PROBLEM OF OBTAINING ASSURED SOURCE OF CRUDE AT REASONABLE COST IN FACE OF UNCERTAIN EUROPEAN MARKET FOR PETROLEUM PRODUCTS, WE ALSO BELIEVE GOT MAY HAVE REACHED IMPASSE IN DECIDING BETWEEN THREE AMERICAN, JOINT ITALIAN-FRENCH AND POSSIBLE JAPANESE AND OTHER PROPOSALS RE LARGER REFINERY AND DECIDED BREAK CLEAN AND EMERGE WITH NEW CONCEPT.

4. IMPLICATIONS FOR U.S. BUSINESS: DECISION WILL CLEARLY LEAD TO IMPORTANT OPPORTUNITY FOR EXPORT OF U.S. REFINERY EQUIPMENT AND CONSTRUCTION AND ENGINEERING SERVICES. WHILE EMBASSY WILL FOLLOW DEVELOPMENTS HERE IN REGARD TO INVITATIONS TO BID ON VARIOUS ASPECTS OF PROJECT WHICH LASRAM SAID WOULD BE ISSUED, WE SUGGEST THAT USDOC BRING THIS NEW DEVELOPMENT TO ATTENTION OF POSSIBLY INTERESTED U.S. ENGINEERING AND CONSTRUCTION COMPANIES. SINCE MUCH OF INFORMATION PROVIDED BY LASRAM ABOVE CAN BE CONSIDERED PRIVILEGED, BELIEVE FOR MOMENT USDOC SHOULD LIMIT ITSELF TO ARTICLE IN TODAY'S PRESS REPORTING THAT LIMITED OFFICIAL USE

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GOT HAS DECIDED IT WILL BUILD 3 MILLION TON REFINERY IN GABES.
SEELYE

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